UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

/X/ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended January 31, 2002

OR

/_/ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________________ to ________________

Commission file number 000-23211

CASELLA WASTE SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware	03-0338873
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

25 Greens Hill Lane, Rutland, Vermont	05701
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (802) 775-0325

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes /X/ No / /

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of March 4, 2002:

Class A Common Stock	22,822,702
Class B Common Stock	988,200

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands)

ASSETS	April 30, 2001	January 31, 2002
CURRENT ASSETS:		
Cash and Cash Equivalents	$ 22,001	$ 9,405
Restricted Cash	7,175	7,556
Accounts Receivable - Trade, net of allowance		

for doubtful accounts of $4,904 and $3,092	51,776	43,423
Notes Receivable - Officers/Employees	1,953	1,105
Prepaid Expenses	5,669	5,275
Inventory	3,017	2,626
Investments	3,641	62
Deferred Income Taxes	8,015	9,076
Net Assets Held for Sale	8,041	--
Net Assets of Discontinued Operations	11,534	3,381
Other Current Assets	2,763	1,473
Total Current Assets	125,585	83,382
Property, Plant and Equipment, net of accumulated depreciation and amortization of $125,160 and $153,359	290,537	284,599
Intangible Assets, net	237,573	230,812
Restricted Cash	2,902	2,092
Deferred Income Taxes	5,259	5,819
Investments in Unconsolidated Entities	21,844	26,761
Other Non-Current Assets	2,593	1,903
Total Non-Current Assets	560,708	551,986
	$ 686,293	$ 635,368

The accompanying notes are an integral part of these consolidated financial statements.

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except for share and per share data)

LIABILITIES AND STOCKHOLDERS' EQUITY	April 30, 2001	January 31, 2002
CURRENT LIABILITIES:		
Current Maturities of Long-Term Debt	$ 6,690	$ 4,483
Current Maturities of Capital Lease Obligations	1,429	1,538
Accounts Payable	29,158	27,543
Accrued Payroll and Related Expenses	2,542	4,053
Accrued Interest	4,880	1,642
Accrued Income Taxes	3,388	5,802
Other Current Liabilities	22,441	27,344
Total Current Liabilities	70,528	72,405
Long-Term Debt, Less Current Maturities	350,511	286,625
Capital Lease Obligations, Less Current Maturities	4,593	3,431
Accrued Closure and Post-Closure Costs, Less Current Maturities	17,153	22,253
Minority Interest	677	675
Other Long-Term Liabilities	12,160	12,262
COMMITMENTS AND CONTINGENCIES		
Series A Redeemable, Convertible Preferred Stock, 55,750 Shares Authorized, Issued and Outstanding as of April 30, 2001 and January 31, 2002, Liquidation Preference of $1,000 per Share	57,720	59,987
STOCKHOLDERS' EQUITY		
Class A Common Stock - Authorized - 100,000,000 Shares, $0.01 par value Issued and Outstanding - 22,198,000 and 22,790,000 Shares as of April 30, 2001 and January 31, 2002, respectively	222	228
Class B Common Stock - Authorized - 1,000,000 Shares, $0.01 par value 10 Votes per Share, Issued and Outstanding -988,000 shares	10	10
Accumulated Other Comprehensive (Loss) Income	586	(5,449)
Additional Paid-In Capital	271,502	277,771
Accumulated Deficit	(99,369)	(94,830)
Total Stockholders' Equity	172,951	177,730
	$ 686,293	$ 635,368

The accompanying notes are an integral part of these consolidated financial statements.

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands)

	Three Months Ended		Nine Months Ended	
	January 31, 2001	January 31, 2002	January 31, 2001	January 31, 2002
Revenues	$ 112,705	$ 101,189	$ 380,233	$ 323,315
Operating Expenses:				
Cost of Operations	75,148	66,142	255,838	211,549
General and Administration	13,726	13,994	45,100	41,188
Depreciation and Amortization	13,043	12,825	40,316	38,390
	101,917	92,961	341,254	291,127
Operating Income	10,788	8,228	38,979	32,188
Other (Income)/Expense, net:				
Interest Income	(1,049)	(110)	(2,271)	(801)
Interest Expense	11,212	7,740	32,173	24,580
(Income) Loss from Equity Method Investments, net	15,493	(1,857)	16,525	(1,349)
Minority Interest	287	29	949	(2)
Other Expense (Income)	(1,736)	1,543	(1,709)	(4,960)
Other Expense, net	24,207	7,345	45,667	17,468
Income (Loss) from Continuing Operations Before Income Taxes and Discontinued Operations	(13,419)	883	(6,688)	14,720
Provision (Benefit) for Income Taxes	(2,891)	233	1,080	5,524
Net Income (Loss) from Continuing Operations	(10,528)	650	(7,768)	9,196
Discontinued Operations				
Income From Discontinued Operations (net of income taxes of $8 and $866)	13	--	1,524	--
Loss on Disposal of Discontinued Operations (net of income tax benefit of $678, $350, $678 and $924)	(2,403)	(521)	(2,403)	(2,146)
Cumulative Effect of Change in Accounting Principle (net of income tax benefit of $170)	--	--	--	(250)
Net Income (Loss)	(12,918)	129	(8,647)	6,800
Accretion of Preferred Stock Dividend	702	861	1,290	2,267
Net (Loss) Income available to Common Stockholders	$ (13,620)	$ (732)	$ (9,937)	$ 4,533

The accompanying notes are an integral part of these consolidated financial statements.

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except for per share data)

	Three Months Ended		Nine Months Ended	
	January 31, 2001	January 31, 2002	January 31, 2001	January 31, 2002
Earnings Per Share:				
Basic:				
(Loss) Income from Continuing Operations	$ (0.48)	$ (0.01)	$ (0.39)	$ 0.30
Discontinued Operations				
Income from Discontinued Operations	--	--	0.06	--
Loss on Disposal of Discontinued Operations	(0.10)	(0.02)	(0.10)	(0.09)
Cumulative Effect of Change in Accounting Principle	--	--	--	(0.01)
Net (Loss) Income per Common Share	$ (0.58)	$ (0.03)	$ (0.43)	$ 0.20
Basic Weighted Average Common Shares Outstanding	23,182	23,565	23,190	23,414
Diluted:				
(Loss) Income from Continuing Operations	$ (0.48)	$ (0.01)	$ (0.39)	$ 0.29
Discontinued Operations				
Income from Discontinued Operations	--	--	0.06	--
Loss on Disposal of Discontinued Operations	(0.10)	(0.02)	(0.10)	(0.09)
Cumulative Effect of Change in Accounting Principle	--	--	--	(0.01)
Net (Loss) Income per Common Share	$ (0.58)	$ (0.03)	$ (0.43)	$ 0.19

Diluted Weighted Average Common Shares Outstanding	23,182	23,565	23,190	24,091

The accompanying notes are an integral part of these consolidated financial statements.

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Nine Months Ended	
	January 31, 2001	January 31, 2002
Cash Flows from Operating Activities:		
Net Income (Loss)	$ (8,647)	$ 6,800
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities -		
Depreciation and Amortization	40,316	38,390
Loss on Disposal of Discontinued Operations	2,403	2,146
Income from Discontinued Operations	(1,524)	--
(Income) Loss from Equity Method Investments	16,525	(1,349)
Loss from Commodity Hedge Contract, net	--	1,289
Gain on Sale of Bangor Hydro Warrants	(1,526)	(1,654)
Gain on Sale of Equipment	(318)	(296)
Gain on Sale of Assets	--	(4,698)
Non Cash Directors Compensation	30	20
Minority Interest	949	(2)
Deferred Income Taxes	(3,490)	1,847
Changes in Assets and Liabilities, net of Effects of Acquisitions and Divestitures -		
Accounts Receivable	5,835	7,879
Accounts Payable	(11,787)	(1,727)
Other Assets and Liabilities	(2,899)	4,113
	44,514	45,958
Net Cash Provided by Operating Activities	35,867	52,758
Cash Flows from Investing Activities:		
Acquisitions, Net of Cash Acquired	(7,811)	(1,505)
Proceeds from Divestitures, Net of Cash Divested	5,832	28,646
Additions to Property and Equipment	(53,783)	(28,395)
Proceeds from Sale of Equipment	1,951	1,186
Proceeds from Sale of Bangor Hydro Warrants	3,319	3,530
Advances to Unconsolidated Subsidiaries	(3,493)	(4,388)
Other	3,857	2,985
Net Cash (Used In) Provided by Investing Activities	(50,128)	2,059
Cash Flows from Financing Activities:		
Proceeds from Long-Term Borrowings	48,090	53,290
Principal Payments on Long-Term Debt	(62,703)	(117,230)
Proceeds from Issuance of Common Stock	1,018	217
Proceeds from Equity Transactions of Majority-Owned Subsidiary	1,506	--
Proceeds from Exercise of Stock Options	256	3,173
Proceeds from the Issuance of Series A Redeemable, Convertible Preferred Stock, Net	54,741	--
Net Cash Provided by (Used In) Financing Activities	42,908	(60,550)
Cash Used in Discontinued Operations	(8,871)	(6,863)
Net Increase (Decrease) in Cash and Cash Equivalents	19,776	(12,596)
Cash and Cash Equivalents, Beginning of Period	7,788	22,001
Cash and Cash Equivalents, End of Period	$ 27,564	$ 9,405

The accompanying notes are an integral part of these consolidated financial statements.

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	January 31, 2001	January 31, 2002
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Year for -		
Interest	$ 33,257	$ 26,346
Income Taxes, net of refunds	$ 1,100	$ 312
Supplemental Disclosures of Non-Cash Investing and Financing Activities:		
Summary of Entities Acquired in Purchase Business Combinations		
Fair Market Value of Assets Acquired	$ 21,078	$ 1,749
Notes Receivable Exchanged for Assets	(13,263)	(25)
Cash Paid, net	$ (7,811)	$ (1,505)
Liabilities Assumed and Notes Receivable Forgiven to Seller	$ 4	$ 219
Summary of Long Term Debt Converted to Common Stock		
Long Term Debt Converted	$ --	$ 3,206
Exchange of Notes Receivable	--	(750)
Issuance of Common Stock Upon Conversion	$ --	$ 2,454

The accompanying notes are an integral part of these consolidated financial statements.

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(All amounts in thousands, except for per share data)

The condensed consolidated balance sheets of Casella Waste Systems, Inc. and Subsidiaries (the "Company") as of April 30, 2001 and January 31, 2002, the consolidated statements of operations for the three and nine months ended January 31, 2001 and 2002 and the condensed consolidated statements of cash flows for the nine months ended January 31, 2001 and 2002 are unaudited. In the opinion of management, such financial statements include all adjustments (which include normal recurring and nonrecurring adjustments) necessary for a fair presentation of the financial position, results of operations, and cash flows for the periods presented. The previously issued consolidated statements of operations for the three and nine months ended January 31, 2001 and the condensed consolidated statement of cash flows for the nine months ended January 31, 2001 have been changed to reflect the effects of discontinued operations. The consolidated financial statements presented herein should be read in connection with the Company's audited consolidated financial statements as of and for the twelve months ended April 30, 2001. These were included as part of the Company's Annual Report on Form 10-K (the "Annual Report"). The results of the nine months ended January 31, 2002 may not be indicative of the results that may be expected for the fiscal year ending April 30, 2002.

1. BUSINESS COMBINATIONS

During the nine months ended January 31, 2002, the Company acquired three solid waste hauling operations in transactions accounted for as purchases. These transactions were in exchange for consideration of approximately $1.5 million in cash to the sellers. During the nine months ended January 31, 2001, the Company acquired 11 solid waste hauling operations accounted for as purchases. These transactions were in exchange for consideration of approximately $7.8 million in cash to the sellers and the partial settlement of a receivable in the amount of $13.3 million. The operating results of these businesses are included in the consolidated statements of operations from the dates of acquisition. The purchase prices have been allocated to the net assets acquired based on their fair values at the dates of acquisition with the residual amounts allocated to goodwill.

The following unaudited pro forma combined information shows the results of the Company's operations as though each of the acquisitions had been completed as of May 1, 2000.

	Nine Months Ended January 31, 2001	Nine Months Ended January 31, 2002
Revenues	$384,079	$324,080
Operating Income	$ 39,697	$ 32,377
Net (Loss) Income available to Common Stockholders	$ (9,751)	$ 4,603
Diluted Net Income (Loss) per Common Share	$ (0.42)	$ 0.19
Diluted Weighted Average Common Shares Outstanding	23,190	24,091

The pro forma results have been prepared for comparative purposes only and are not necessarily indicative of the actual results of operations had the acquisitions taken place as of May 1, 2000 or the results of future operations of the Company. Furthermore, the pro forma results do not give effect to all cost savings or incremental costs that may occur as a result of the integration and consolidation of the completed acquisitions.

2. ADOPTION OF NEW ACCOUNTING STANDARD

In June 1999, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 137, Accounting for Derivative Instruments and Hedging Activities-Deferral of the Effective Date of FASB Statement No. 133. SFAS No. 137 amends SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, by deferring the effective date of SFAS No. 133 to fiscal years beginning after June 15, 2000. SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. The Company adopted SFAS No. 133 on May 1, 2001. The Company's objective for utilizing derivative instruments is to reduce its exposure to fluctuations in cash flows due to changes in the variable interest rates under its credit facility and changes in the commodity prices of recycled paper.

The Company's strategy to hedge against fluctuations in variable interest rates involves entering into interest rate swaps that are specifically designated to existing interest payments under our credit facility and accounted for as cash flow hedges pursuant to SFAS No. 133. The Company has six interest rate swaps outstanding, expiring at various times between January and April 2003 with an aggregate notional amount of $250 million. The Company has evaluated these swaps and believes these instruments qualify for hedge accounting pursuant to SFAS No. 133. Upon adoption of SFAS No. 133, the Company recorded the fair value of these interest rate swaps as an obligation of $6.9 million, with the offset (net of taxes of $2.8 million) recorded as an unrealized loss in other comprehensive income (loss) (see Note 6). Because the relevant terms of the interest rate swaps and the specific debts they have been designated to hedge are not identical, the swaps are not perfectly effective, and could result in ineffectiveness being recorded in earnings.

Accordingly, the ineffective portion of the hedge was recorded as a cumulative effect of change in accounting principle in the accompanying financial statements. The ineffectiveness recorded in earnings for the nine months ended January 31, 2002 was approximately $420 and is reflected as a reduction in interest expense in the accompanying financial statements. No ineffectiveness was recorded in the quarter ended January 31, 2002, in accordance with the recognition guidance under SFAS No. 133. As of January 31, 2002, the fair value of these swaps was an obligation of $10.1 million, with the net amount (net of taxes of $4.1 million) recorded as an unrealized loss in other comprehensive (loss) income. The estimated net amount of the existing losses as of January 31, 2002 included in accumulated other comprehensive income expected to be reclassified into earnings as payments are either made or received under the terms of the interest rate swaps within the next 12 months is approximately $9.2 million. The actual amounts reclassified into earnings are dependent on future movements in interest rates.

The Company's strategy to hedge against fluctuations in the commodity prices of recycled paper is to enter into hedges to mitigate the variability in cash flows generated from the sales of recycled paper at floating prices, resulting in a fixed price being received from these sales. The Company had entered into 10 commodity hedges, which expired at various times between December 2001 and February 2003. The Company had evaluated these hedges and believed that these instruments qualified for hedge accounting pursuant to SFAS No. 133. Because the relevant terms of the hedges and the transactions they were designated to hedge were identical, there was no ineffectiveness required to be recognized into earnings. Upon adoption of SFAS No. 133, the Company recorded the fair value of these hedges as an asset of $1.8 million, with the net amount (net of taxes of $0.7 million) recorded as an unrealized gain in other comprehensive income (loss) (see Note 6).

On December 2, 2001, Enron Corporation (Enron), the counterparty for all of the Company's commodity hedges, filed for Chapter 11 bankruptcy protection. As a result of the filing, the Company executed the early termination provisions provided under the forward contracts, and filed a claim with the bankruptcy court. Additionally, the Company agreed with its equity method investee, US Green Fiber LLC (Green Fiber), to include Green Fiber in its claim (as allowed under the applicable affiliate provisions) in exchange for entering into commodity contracts between Green Fiber and the Company on terms identical to those with Enron. The Company recorded a charge of $1.6 million in other expense to recognize the change in fair value of its commodity contracts. Subsequent changes in the fair value of these commodity contracts (currently $0.4 million) will be reflected in earnings until their March 2003 termination.

Deferred gains of approximately $1.0 million, net of tax, related to the Company's terminated contracts with Enron are included in accumulated other comprehensive income, and will be reclassified into earnings as the original hedged transactions settle.

3. LEGAL PROCEEDINGS

In the normal course of its business and as a result of the extensive governmental regulation of the waste industry, the Company may periodically become subject to various judicial and administrative proceedings involving Federal, state or local agencies. In these proceedings, an agency may seek to impose fines on the Company or to revoke, or to deny renewal of, an operating permit held by the Company. In addition, the Company may become party to various claims and suits pending for alleged damages to persons and property, alleged violation of certain laws and for alleged liabilities arising out of matters occurring during the normal operation of the waste management business.

During the quarter ended January 31, 2002, the Company settled one lawsuit, which had no effect on the Company's financial position.

For the nine months ended January 31, 2002, the Company settled four lawsuits, which had no effect on the Company's financial position.

The Company is a defendant in certain lawsuits alleging various claims incurred in the ordinary course of business, none of which, either individually or in the aggregate, the Company believes are material to its financial condition, results of operations or cash flows.

4. ENVIRONMENTAL LIABILITIES

The Company is subject to liability for any environmental damage, including personal injury and property damage, that its solid waste, recycling and power generation facilities may cause to neighboring property owners, particularly as a result of the contamination of drinking water sources or soil, possibly including damage resulting from conditions existing before the Company acquired the facilities. The Company may also be subject to liability for similar claims arising from off-site environmental contamination caused by pollutants or hazardous substances if the Company or its predecessors arrange to transport, treat or dispose of those materials. Any substantial liability incurred by the Company arising from environmental damage could have a material adverse effect on the Company's business, financial condition and results of operations. The Company is not presently aware of any situations that it expects would have a material adverse impact.

5. EARNINGS PER SHARE

The following table sets forth the numerator and denominator used in the computation of earnings per share on a basic and diluted basis for the three and nine months ended January 31, 2001 and 2002:

	Three Months Ended January 31		Nine Months Ended January 31	
	2001	2002	2001	2002
Numerator:				
Net Income (Loss) from Continuing Operations Before Discontinued Operations	$(10,528)	$ 650	$ (7,768)	$ 9,196
Less: Preferred Dividends	(702)	(861)	(1,290)	(2,267)
Net (Loss) Income from Continuing Operations Before Discontinued Operations Available to Common Stockholders Used in Basic and Diluted EPS	$(11,230)	$ (211)	$ (9,058)	$ 6,929
Denominator:				
Number of Shares Outstanding, End of Period:				
Class A Common Stock	22,196	22,790	22,196	22,790
Class B Common Stock	988	988	988	988
Effect of Weighted Average Shares Outstanding during period	(2)	(213)	6	(364)
Weighted Average Number of Common Shares used in Basic EPS	23,182	23,565	23,190	23,414
Impact of Potentially Dilutive Securities:				
Dilutive Effect of Options, Warrants and Contingent Stock	--	--	--	677
Weighted Average Number of Common Shares used in Diluted EPS	23,182	23,565	23,190	24,091

For the three and nine months ended January 31, 2001, 9,677 and 7,835 common stock equivalents related to options, convertible debt, and redeemable convertible preferred stock, respectively, were excluded from the calculation of dilutive shares since the inclusion of such shares would be anti-dilutive.

For the three and nine months ended January 31, 2002, 9,187 and 7,038 common stock equivalents related to options, convertible debt, and redeemable convertible preferred stock, respectively, were excluded from the calculation of dilutive shares since the inclusion of such shares would be anti-dilutive.

6. COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) represents the change in the Company's equity from transactions and other events and circumstances from non-owner sources and includes all changes in equity except those resulting from investments by owners and distributions to owners.

Comprehensive income (loss) for the three and nine months ended January 31, 2002 is as follows:

	Three Months Ended January 31, 2002	Nine Months Ended January 31, 2002
Net Income	$ 129	$ 6,800
Other Comprehensive Income (Loss)	1,267	(6,035)
Comprehensive Income	$ 1,396	$ 765

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The components of other comprehensive loss for the three and nine months ended January 31, 2002 are shown as follows (in thousands):

	Three Months Ended January 31, 2002		
	Gross	Tax effect	Net of Tax
Changes in fair value of marketable securities during the period, net	($ 25)	($ 10)	($ 15)
Change in fair value of interest rate swaps and commodity hedges during period, net	2,311	1,029	1,282
	$ 2,286	$ 1,019	$ 1,267

	Nine Months Ended January 31, 2002		
	Gross	Tax effect	Net of Tax
Cumulative effect of change in accounting principle, beginning of period	($4,650)	($1,885)	(2,765)
Changes in fair value of marketable securities during the period, net of reclassification adjustment	(1,704)	(691)	(1,013)
Change in fair value of interest rate swaps and commodity hedges during period, net	(3,637)	(1,380)	(2,257)
	($9,991)	($3,956)	($6,035)

7. SEGMENT REPORTING

SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, establishes standards for reporting information about operating segments in financial statements. In general, SFAS No. 131 requires that business entities report selected information about operating segments in a manner consistent with that used for internal management reporting.

The Company classifies its operations into Eastern, Central, Western and Recycling. The Company's revenues in the Eastern, Central and Western segments are derived mainly from one industry segment, which includes the collection, transfer, recycling and disposal of non-hazardous solid waste. The Eastern Region also includes Maine Energy, which generates electricity from non-hazardous solid waste. The Company's revenues in the Recycling segment are derived from integrated waste handling services, including processing and recycling of wood, paper, metals, aluminum, plastics and glass and brokerage of recycled materials. Ancillary operations, mainly residue recycling and major customer accounts, are included in Other.

	Eastern Region	Central Region	Western Region	Recycling	Other
Three Months Ended January 31, 2002:					
Outside Revenue	$ 35,899	$ 22,669	$ 15,651	$ 23,449	$ 3,521
Intersegment Revenue	$ 6,754	$ 10,752	$ 3,118	$ 701	$ --
(Loss)/Income from Continuing Operations	$ (482)	$ 3,729	$ 57	$ (3,427)	$ 773
Total Assets	$ 262,405	$ 115,397	$ 107,963	$ 74,149	$ 75,454

	Eliminations	Total
Outside Revenue	$ --	$ 101,189
Intersegment Revenue	$ (21,325)	$ --
Income/(Loss) from Continuing Operations	$ --	$ 650
Total Assets	$ --	$ 635,368

	Eastern Region	Central Region	Western Region	Recycling	Other

Three Months Ended January 31, 2001:

Outside Revenue	$ 41,571	$ 20,890	$ 15,635	$ 27,203	$ 7,406
Intersegment Revenue	$ 8,804	$ 9,429	$ 3,705	$ 4,853	$ 133
Income/(Loss) from Continuing Operations	$ 1,398	$ 3,090	$ 561	$ (50)	$ (15,527)
Total Assets	$ 393,298	$ 128,856	$ 115,533	$ 135,460	$ 120,715

	Eliminations	Total
Outside Revenue	$ --	$ 112,705
Intersegment Revenue	$ (26,924)	$ --
Income/(Loss) from Continuing Operations	$ --	$ (10,528)
Total Assets	$ --	$ 893,862

	Eastern Region	Central Region	Western Region	Recycling	Other
Nine Months Ended January 31, 2002:					
Outside Revenue	$ 114,490	$ 73,843	$ 50,736	$ 70,272	$ 13,974
Intersegment Revenue	$ 23,583	$ 35,160	$ 11,302	$ 5,691	$ 58
Income/(Loss) from Continuing Operations	$ 1,836	$ 14,107	$ 1,835	$ (7,377)	$ (1,205)
Total Assets	$ 262,405	$ 115,397	$ 107,963	$ 74,149	$ 75,454

	Eliminations	Total
Outside Revenue	$ --	$ 323,315
Intersegment Revenue	$ (75,794)	$ --
Income/(Loss) from Continuing Operations	$ --	$ 9,196
Total Assets	$ --	$ 635,368

	Eastern Region	Central Region	Western Region	Recycling	Other
Nine Months Ended January 31, 2001:					
Outside Revenue	$ 128,251	$ 70,254	$ 50,777	$ 92,172	$ 38,779
Intersegment Revenue	$ 27,842	$ 30,256	$ 11,405	$ 18,900	$ 1,045
Income/(Loss) from Continuing Operations	$ 2,993	$ 12,035	$ 3,166	$ 1,836	$ (27,798)
Total Assets	$ 393,298	$ 128,856	$ 115,533	$ 135,460	$ 120,715

	Eliminations	Total
Outside Revenue	$ --	$ 380,233
Intersegment Revenue	$ (89,448)	$ --
Income/(Loss) from Continuing Operations	$ --	$ (7,768)
Total Assets	$ --	$ 893,862

8. RESTRUCTURING

In April 2001, the Company's Board of Directors approved a reorganization of certain of the Company's operations. This reorganization consisted of the elimination of various positions and the closure of certain facilities. The following items were charged to earnings during 2001:

Severance	$3,786
Facility closures	365
	$4,151

Severance relates to the termination of 19 employees, primarily in management and administration, as well as three officers of the Company. Facility closures include the costs of closing two transfer stations.

During the nine months ended January 31, 2002, $3,317 was charged against the accrual. The remaining balance in the accompanying balance sheet, included in other current liabilities, amounted to $834.

9. DISCONTINUED OPERATIONS, ASSETS HELD FOR SALE AND OTHER DIVESTITURES

Discontinued Operations:

At the end of fiscal year 2001, the Company adopted a formal plan to dispose of its Tire Processing, Commercial Recycling and Mulch Recycling businesses (herein "discontinued businesses"). The Company is accounting for these planned dispositions in accordance with APB Opinion No. 30, and accordingly the discontinued businesses are carried at estimated net realizable value less costs to be incurred through date of disposition.

The Mulch Recycling business was sold effective June 30, 2001 for its carrying value.

A majority interest (80.1%) of the Tire Processing business was sold in September 2001 for cash consideration of $13.8 million. The company retained a 19.9% interest in the new venture, which was valued at $3.1 million. Prior to the sale, the Company incurred costs in excess of those estimated at April 30, 2001, which were expensed in the accompanying financial statements. The Company is accounting for its retained investment under the cost method.

The Company further wrote down its Commercial recycling center in Newark, N.J. to net realizable value due to final negotiations resulting in a delay in the sale of the facility. This expense was recognized, net of tax, in each of the quarters ended October 31, 2001 and January 31, 2002.

Net Assets Held for Sale:

The Company had identified for sale certain other businesses which were classified as Net Assets Held for Sale as of April 30, 2001. These included its Timber Energy business and its one remaining plastics recycling facility.

On May 17, 2001, the plastics recycling business was sold for approximately $998 in total consideration. The consideration consisted of $406 in cash and $592 in notes.

On July 31, 2001, the Timber Energy business was sold for approximately $15.0 million in total consideration. The consideration comprised the buyer's assumption of debt, reimbursement of restricted cash funds, and a working capital adjustment, resulting in $10.7 million cash.

Other Divestitures:

A majority interest (80.1%) in New Heights Recovery and Power LLC ("New Heights") was sold in September 2001 for consideration of $0.3 million and contingent consideration of up to $9.0 million. The company will record the contingent consideration when the contingency is removed. The Company retained an interest (19.9%) in the New Heights project, as well as certain financial obligations related solely to the power plant. The Company is accounting for its retained investment under the equity method.

10. NEW ACCOUNTING PRONOUNCEMENTS

In July 2001, the FASB issued SFAS No. 141, Business Combinations and SFAS No. 142, Goodwill and Other Intangible Assets. These standards, among other things, significantly modify the current accounting rules related to accounting for business acquisitions, amortization of intangible assets and the method of accounting for impairments. SFAS No. 142 requires that any goodwill recorded in connection with an acquisition consummated on or after July 1, 2001 not be amortized. The effective date for SFAS No. 142 is fiscal years beginning after December 15, 2001. The Company has not completed an analysis as to the magnitude of the impact of these new pronouncements on the Company's financial statements. However, the Company believes that the impact, when ultimately determined, could have a significant adverse effect on the Company's carrying value of certain long-term assets (mainly goodwill). The Company will adopt SFAS No. 141 and SFAS No. 142 as of the beginning of its fiscal year 2003.

In July 2001, the FASB issued SFAS No.143, Accounting for Asset Retirement

Obligations. SFAS No. 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes the cost by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, the entity either settles the obligation for the amount recorded or incurs a gain or loss. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. Management is evaluating the effect of this statement on the Company's results of operations and financial position as well as related disclosures.

In August 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long Lived Assets. SFAS No. 144 supercedes SFAS No. 121, Accounting for the Impairment of Long Lived Assets and for Long Lived Assets to be Disposed of. SFAS No. 144 addresses financial accounting and reporting for the impairment of long lived assets held for use and for long-lived assets that are to be disposed of by sale (including discontinued operations). SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. Management is evaluating the effect of this statement on the Company's results of operations and financial position as well as related disclosures.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Casella Waste Systems, Inc. the ("Company") is a regional, integrated solid waste services company that provides collection, transfer, disposal and recycling services, primarily throughout the eastern portion of the United States. The Company markets recyclable metals, aluminum, plastics, paper and corrugated cardboard which has been processed at its facilities as well as recyclables purchased from third parties. The Company also generates electricity under its contracts at its wholly owned subsidiary, Maine Energy Recovery Company LP ("Maine Energy"), a waste-to-energy facility. As of March 3, 2002, the Company owned and/or operated five Subtitle D landfills, two landfills permitted to accept construction and demolition materials, 30 transfer stations, 41 recycling processing facilities, 38 solid and liquid waste collection divisions and one power generation facility, as well as a 50% interest in a cellulose insulation joint venture.

The Company's revenues have decreased from $112.7 million for the three months ended January 31, 2001 to $101.2 million for the three months ended January 31, 2002. From May 1, 2000 through April 30, 2001, the Company acquired 13 solid waste collection, transfer and disposal operations. Between May 1, 2001 and January 31, 2002 the Company acquired three such businesses, all of which were accounted for under the purchase method of accounting for business combinations. Under the rules of purchase accounting the acquired companies' revenues and results of operations have been consolidated from the actual dates of the acquisitions and materially affect the period-to-period comparisons of the Company's historical results of operations.

This Form 10-Q and other reports, proxy statements, and other communications to stockholders, as well as oral statements by the Company's officers or its agents, may contain forward-looking statements within the meaning of Section 27A of the Securities Act and section 21E of the Securities Exchange Act, with respect to, among other things, the Company's future revenues, operating income, or earnings per share. Without limiting the foregoing, any statements contained in this Quarterly Report that are not statements of historical fact may be deemed to be forward-looking statements, and the words "believes", "anticipates", "plans", "expects", and similar expressions are intended to identify forward-looking statements. There are a number of factors of which the Company is aware that may cause the Company's actual results to vary materially from those forecasted or projected in any such forward-looking statement, certain of which are beyond the Company's control. These factors include, without limitation, those outlined below in the section entitled "Certain Factors That May Affect Future Results". The Company's failure to successfully address any of these factors could have a material adverse effect on the Company's results of operations.

General

The Company's revenues in the Eastern, Central and Western regions are attributable primarily to fees charged to customers for solid waste disposal and collection, landfill, waste-to-energy, transfer and recycling services. The

Company derives a substantial portion of its collection revenues from commercial, industrial and municipal services that are generally performed under service agreements or pursuant to contracts with municipalities. The majority of the Company's residential collection services are performed on a subscription basis with individual households. Landfill, waste-to-energy facility and transfer customers are charged a tipping fee on a per ton basis for disposing of their solid waste at the Company's disposal facilities and transfer stations. The majority of the Company's disposal and transfer customers are under one to ten year disposal contracts, with most having clauses for annual cost of living increases. Recycling revenues consist of revenues from the sale of recyclable commodities, operations and maintenance contracts of recycling facilities for municipal customers and recyclable brokering operations.

The Company, through its Recycling segment, provides integrated waste handling services, including processing and recycling of wood, paper, metals, aluminum, plastics and glass and brokerage of recycled materials. The Company emphasizes the use of low-cost processing to add value to the waste products delivered. Effective August 1, 2000, the Company contributed its cellulose insulation assets to a joint venture with Louisiana-Pacific, and accordingly, has recognized half of the joint venture's net income/(loss) in the Company's results of operations since that date. In the Other segment, the Company has ancillary assets including residue recycling and major customer accounts.

The Company's revenues are shown net of inter-company eliminations. The Company typically establishes its inter-company transfer pricing based upon prevailing market rates.

The table below shows, for the periods indicated, the percentage of the Company's revenues attributable to services

provided. The increase in the Company's collection and transfer revenues as a percentage of revenues for the current fiscal year is primarily attributable to the effects of price and volume increases. The decrease in the Company's landfill/disposal revenues as a percentage of revenues during the current fiscal year is primarily attributable to the divestiture of its majority interest in Penobscot Energy Recovery Company LP. The increase in the Company's recycling revenues as a percentage of revenue during the current fiscal year is primarily attributable to volume increases. The decrease in the Company's brokerage revenues as a percentage of revenues during the current fiscal year is primarily attributable to the overall effects of commodity prices. The decrease in the Company's other revenues as a percentage of revenues during the current fiscal year is primarily attributable to divestitures made during the period.

	Percentage of Revenues			
	Three Months Ended January 31,		Nine Months Ended January 31,	
	2001	2002	2001	2002
Collection	42.9%	46.6%	40.7%	46.7%
Landfill/Disposal Facilities ...	18.0	14.1	16.8	13.8
Transfer	7.6	10.1	7.4	11.0
Recycling	13.4	17.4	12.3	15.8
Brokerage	15.0	11.1	15.6	11.4
Other	3.1	0.7	7.2	1.3
Total Revenues	100.0%	100.0%	100.0%	100.0%

Cost of operations includes labor, tipping fees paid to third party disposal facilities, fuel, maintenance and repair of vehicles and equipment, worker's compensation and vehicle insurance, the cost of purchasing materials to be recycled, third party transportation expense, district and state taxes, host community fees and royalties. Landfill operating expenses also include a provision for closure and post-closure expenditures anticipated to be incurred in the future, and leachate treatment and disposal costs.

General and administration expenses include management, clerical and administrative compensation and overhead, professional services and costs associated with the Company's marketing and sales force and community relations expense.

Depreciation and amortization expense includes depreciation of fixed assets over the estimated useful life of the assets using the straight-line method, amortization of landfill airspace assets under the units-of-production method, and the amortization of goodwill and other intangible assets using the straight-line method. The amount of landfill amortization expense related to airspace consumption can vary materially from landfill to landfill depending upon the purchase price and landfill site and cell development costs. The Company depreciates all fixed and intangible assets, excluding non-depreciable land, down to a zero net book value, and does not apply a salvage value to any of its fixed assets.

The Company capitalizes certain direct landfill development costs, such as engineering, permitting, legal, construction and other costs directly associated with expansion of existing landfills. Additionally, the Company also capitalizes certain third party expenditures related to pending acquisitions, such as legal and engineering costs. The Company will have material financial obligations relating to closure and post-closure costs of its existing landfills and any disposal facilities which it may own or operate in the future. The Company has provided and will in the future provide accruals for future financial obligations relating to closure and post-closure costs of its landfills (generally for a term of 30 years after final closure of a landfill) based on engineering estimates of consumption of permitted landfill airspace over the useful life of any such landfill. There can be no assurance that the Company's financial obligations for closure or post-closure costs will not exceed the amount accrued and reserved or amounts otherwise receivable pursuant to trust funds. The Company routinely evaluates all such capitalized costs, and expenses those costs related to projects not likely to be successful. Internal and indirect landfill development and acquisition costs, such as executive and corporate overhead, public relations and other corporate services, are expensed as incurred.

Results of Operations

The following table sets forth for the periods indicated the percentage relationship that certain items from the

Company's Consolidated Financial Statements bear in relation to revenues.

	Percentage of Revenues			
	Three Months Ended January 31,		Nine Months Ended January 31,	
	2001	2002	2001	2002
Revenues	100.0%	100.0%	100.0%	100.0%
Cost of Operations	66.7	65.4	67.3	65.4
General and Administration	12.2	13.8	11.9	12.7
Depreciation and Amortization	11.6	12.7	10.6	11.9
Operating Income	9.5	8.1	10.2	10.0
Interest Expense, net	9.0	7.5	7.9	7.4
(Income) Loss from Equity Method Investments	13.7	(1.8)	4.3	(0.4)
Minority Interest	0.3	0.0	0.2	0.0
Other Expenses/ (Income)	(1.5)	1.6	(0.4)	(1.5)
Provision (Benefit) for Income Taxes	(2.6)	0.2	0.3	1.7
Income (Loss) from Continuing Operations	(9.4)	0.6	(2.1)	2.8
Discontinued Operations	(2.1)	(0.5)	(0.2)	(0.6)
Cumulative Effect of Change in Accounting Principle	0.0	0.0	0.0	(0.1)
Net Income (Loss)	(11.5)%	0.1%	(2.3)%	2.1%
Adjusted EBITDA *	20.9%	20.8%	20.6%	21.8%

* See discussion and computation of Adjusted EBITDA below.

Three Months Ended January 31, 2002:

REVENUES:
Revenues decreased $11.5 million, or (10.2)% to $101.2 million in the quarter ended January 31, 2002 from $112.7 million in the quarter ended January 31, 2001. The decrease in the quarter is attributable to several factors: the impact of businesses divested accounted for approximately $13.0 million while lower

average recyclable commodity prices and volumes amounted to $5.6 million. These decreases were partially offset by volume and price increases in the core solid waste business amounting to $6.5 million and the positive rollover effect of acquisitions amounting to approximately $0.6 million.

COST OF OPERATIONS:
Cost of operations decreased $9.0 million or (12.0)% to $66.1 million in the quarter ended January 31, 2002 from $75.1 million in the quarter ended January 31, 2001. This decrease mainly arose from lower volumes of recyclable material purchases and divestitures. Cost of operations as a percentage of revenues decreased to 65.4% in the quarter ended January 31, 2002 from 66.7% in the prior year. The decrease in cost of operations as a percentage of revenues was primarily the result of a decreased contribution from recyclable brokerage operations, which carry a high cost of operations as a percentage of revenues (approximately 90%).

GENERAL AND ADMINISTRATION:
General and administration expenses increased $0.3 million, or (2.0)% to $14.0 million in the quarter ended January 31, 2002 from $13.7 million in the quarter ended January 31, 2001, and increased as a percentage of revenues to 13.8% in the quarter ended January 31, 2002 from 12.2% in the quarter ended January 31, 2001. The increase in general and

administration expenses was primarily the result of bad debt expenses associated with the write-off of receivables with Enron amounting to $0.7 million in the quarter ended January 31, 2002.

DEPRECIATION AND AMORTIZATION:
Depreciation and amortization expense decreased $0.2 million, or (1.7)%, to $12.8 million in the quarter ended January 31, 2002 from $13.0 million in the quarter ended January 31, 2001. The decrease was attributable to lower intangible amortization due to the impairment charge taken in fiscal year 2001 and the impact of divested entities. Depreciation and amortization expense as a percentage of revenue increased to 12.7% in the quarter ended January 31, 2002 from 11.6% in the quarter ended January 31, 2001. The increase in depreciation and amortization expense as a percentage of revenues resulted primarily from a lower level of revenue.

INTEREST EXPENSE, NET:
Net interest expense decreased $2.5 million, or (24.9)% to $7.6 million in the quarter ended January 31, 2002 from $10.2 million in the quarter ended January 31, 2001. This decrease is primarily attributable to lower average debt balances and lower interest rates on variable debt in the current fiscal quarter, versus last year. Interest expense, as a percentage of revenues decreased to 7.5% in the quarter ended January 31, 2002 from 9.0% in the quarter ended January 31, 2001.

(INCOME) LOSS FROM EQUITY METHOD INVESTMENTS, NET:
Income from equity method investments in the quarter ended January 31, 2002 is due primarily to income recorded at Green Fiber, the Company's 50-50 joint venture. In the quarter ended January 31, 2001, the Company recorded its share of a loss recorded at Green Fiber due to significant transitional and restructuring expenses. The quarter ended January 31, 2001 also includes an impairment charge to reduce the Company's investment in Oakhurst Company, Inc. ("Oakhurst") and New Heights.

A majority interest (80.1%) in New Heights was sold in September 2001 for consideration of $0.3 million and contingent consideration of up to $9.0 million. The Company will record the contingent consideration when the contingency is removed. The Company retained an interest (19.9%) in the New Heights project, as well as financial obligations related solely to the power plant. The Company is accounting for its retained investment under the equity method.

MINORITY INTEREST:
At January 31, 2002, this amount represented the minority owners' interest in the Company's majority owned subsidiary American Ash Recycling of Tennessee, Ltd. At January 31, 2001, minority interest also reflected the minority owners' interest in the Company's majority owned subsidiaries Maine Energy Recovery Company ("Maine Energy") and Penobscot Energy Recovery Company. Effective March 1, 2001, the Company acquired the remaining 16.25% minority interest in Maine Energy and sold its majority interest in the Penobscot Energy Recovery Company.

OTHER EXPENSE (INCOME):

Other expense (income) decreased $3.3 million in the quarter ended January 31, 2002 to ($1.5) million from $1.7 million in the quarter ended January 31, 2001. This change is attributable to the write off of the Commodity Hedges arising from the bankruptcy of Enron in the third quarter 2002 and the sale of Bangor Hydro warrants in the quarter ended January 31, 2001.

PROVISION (BENEFIT) FOR INCOME TAXES:
Provision for income taxes increased $3.1 million in the quarter ended January 31, 2002 to $0.2 million from a benefit of ($2.9) million in the quarter ended January 31, 2001. The increase, as well as the change in the effective tax rate to 26.3% from 21.5%, is primarily due to the increase in pretax income.

Nine Months Ended January 31, 2002:

REVENUES:
Revenues decreased $56.9 million, or (15.0)% to $323.3 million in the nine months ended January 31, 2002 from $380.2 million in the nine months ended January 31, 2001. The decrease in the nine months is attributable to several factors: the impact of businesses divested accounted for approximately $49.0 million while lower average recyclable

commodity prices and volumes amounted to $32.5 million. These decreases were partially offset by price and volume increases in the core solid waste business amounting to $21.7 million and the positive rollover effect of acquisitions amounting to approximately $2.9 million.

COST OF OPERATIONS:
Cost of operations decreased $44.3 million or (17.3)% to $211.5 million in the nine months ended January 31, 2002 from $255.8 million in the nine months ended January 31, 2001. This decrease mainly arises from lower volumes of recyclable material purchases and divestitures. Cost of operations as a percentage of revenues decreased to 65.4% in the nine months ended January 31, 2002 from 67.3% in the prior year. The decrease in cost of operations as a percentage of revenues was primarily the result of a decreased contribution from recyclable brokerage operations, which carry a high cost of operations as a percentage of revenues (approximately 90%).

GENERAL AND ADMINISTRATION:
General and administration expenses decreased $3.9 million, or (8.7)% to $41.2 million in the nine months ended January 31, 2002 from $45.1 million in the nine months ended January 31, 2001, but increased as a percentage of revenues to 12.7% in the nine months ended January 31, 2002 from 11.9% in the nine months ended January 31, 2001. The decrease in general and administration expenses was primarily the result of divestitures as well as lower legal expenses. The increase in general and administration expenses as a percentage of revenues was primarily the result of recyclable brokerage operations, which had a decrease in revenue in concert with fixed general and administration expenses.

DEPRECIATION AND AMORTIZATION:
Depreciation and amortization expense decreased $1.9 million, or (4.8)%, to $38.4 million in the nine months ended January 31, 2002 from $40.3 million in the nine months ended January 31, 2001. The decrease was attributable to lower intangible amortization due to the impairment charge taken in fiscal year 2001 and the impact of divested entities. Depreciation and amortization expense as a percentage of revenue increased to 11.9% in the nine months ended January 31, 2002 from 10.6% in the nine months ended January 31, 2001. The increase as a percentage of revenues resulted primarily from a lower level of revenue.

INTEREST EXPENSE, NET:
Net interest expense decreased $6.1 million, or (20.5)% to $23.8 million in the nine months ended January 31, 2002 from $29.9 million in the nine months ended January 31, 2001. This decrease is primarily attributable to lower average debt balances and lower interest rates on variable debt in the current period, versus the prior period. Interest expense, as a percentage of revenues decreased to 7.4% in the nine months ended January 31, 2002 from 7.9% in the nine months ended January 31, 2001.

(INCOME) LOSS FROM EQUITY METHOD INVESTMENTS, NET:
Income from equity method investments in the nine months ended January 31, 2002 is due primarily to income recorded at Green Fiber, the Company's 50-50 joint venture. In the nine months ended January 31, 2001, the Company recorded its share of a loss recorded at Green Fiber due to significant transitional and restructuring expenses. The nine months ended January 31, 2001 also includes an impairment charge to reduce the Company's investment in Oakhurst and New

Heights.

A majority interest (80.1%) in New Heights was sold in September 2001 for consideration of $0.3 million and contingent consideration of up to $9.0 million. The Company will record the contingent consideration when the contingency is removed. The Company retained an interest (19.9%) in the New Heights project, as well as financial obligations related solely to the power plant. The Company is accounting for its retained investment under the equity method.

MINORITY INTEREST:
At January 31, 2002, this amount represented the minority owners' interest in the Company's majority owned subsidiary American Ash Recycling of Tennessee, Ltd. At January 31, 2001 minority interest also reflected the minority owners' interest in the Company's majority owned subsidiaries Maine Energy and Penobscot Energy Recovery Company. Effective March 1, 2001, the Company acquired the remaining 16.25% minority interest in

Maine Energy and sold its majority interest in the Penobscot Energy Recovery Company.

OTHER INCOME:
Other income increased $3.3 million in the nine months ended January 31, 2002 to $5.0 from $1.7 million in the nine months ended January 31, 2001. This increase is attributable to the divestiture of Multitrade, which resulted in a gain of $4.0 million, partially offset by the write off of the Commodity Hedges arising from the bankruptcy of Enron.

PROVISION FOR INCOME TAXES:
Provision for income taxes increased $4.4 million in the nine months ended January 31, 2002 to $5.5 million from $1.1 million in the nine months ended January 31, 2001. This increase, as well as the change in the effective tax rate to 37.5%, is primarily due to the increase in pretax income and the tax benefit from the sale of 80.1% of the Company's equity interest in New Heights in the nine months ended January 31, 2002 and the recognition of losses on investments in New Heights in the nine months ended January 31, 2001.

LIQUIDITY AND CAPITAL RESOURCES

The Company's business is capital intensive. The Company's capital requirements include acquisitions, fixed asset purchases and capital expenditures for landfill development and cell construction, as well as site and cell closure. The Company had positive net working capital of $55.0 million and $11.0 million at April 30, 2001 and at January 31, 2002, respectively. The main factors accounting for the decrease were lower cash balances, lower trade receivable balances, recognition of current portion of Interest Rate Swaps, and the sale of Assets of Discontinued Operations and Net Assets Held for Sale.

The Company has a $401.9 million revolving line of credit with a group of banks for which Fleet Bank, N.A. is acting as agent. This line of credit consists of a $280 million Senior Secured Revolving Credit Facility ("Revolver") and a $121.9 million Senior Secured Delayed Draw Term "B" Loan ("Term Loan"). This line of credit is secured by all assets of the Company, including the Company's interest in the equity securities of its subsidiaries. The Revolver matures in December 2004 and the Term Loan matures in December 2006. Funds available to the Company under the line of credit were approximately $78 million at January 31, 2002.

Net cash provided by operating activities amounted to $52.8 million for the nine months ended January 31, 2002 compared to $35.9 million for the same period of the prior fiscal year. The increase was primarily due to the change in the Company's working capital: primarily lower trade receivables and increased payables together with an increase in net income.

Net cash provided by investing activities was $2.1 million for the nine months ended January 31, 2002 compared to $50.1 million used in investing activities for the same period last year. The decrease in cash used in investing activities reflected mainly the Company's lower capital expenditures, fewer acquisitions, and the proceeds from divestitures.

Net cash used in financing activities was $60.6 million for the nine months ended January 31, 2002 compared to $42.9 million cash provided by financing activities for the same period of the prior fiscal year. This decrease was primarily due to the Company paying down debt from the proceeds from divestitures and the utilization of working capital, mainly cash.

SEASONALITY

The Company's transfer and disposal revenues have historically been lower during the months of November through March. This seasonality reflects the lower volume of waste during the late fall, winter and early spring months primarily because: (i) the volume of waste relating to construction and demolition activities decreases substantially during the winter months in the northeastern United States; and (ii) decreased tourism in Vermont, Maine and eastern New York during the winter months tends to lower the volume of waste generated by commercial and restaurant customers, which is partially offset by the winter ski industry. Since certain of the Company's operating and fixed costs remain constant throughout the fiscal year, operating income results are therefore impacted by a similar seasonality. In addition, particularly harsh weather conditions typically result in increased operating costs to certain of the Company's operations.

INFLATION AND PREVAILING ECONOMIC CONDITIONS

To date, inflation has not had a significant impact on the Company's operations. Consistent with industry practice,

most of the Company's contracts provide for a pass through of certain costs, including increases in landfill tipping fees and, in some cases, fuel costs. The Company therefore believes it should be able to implement price increases sufficient to offset most cost increases resulting from inflation. However, competitive factors may require the Company to absorb at least a portion of these cost increases, particularly during periods of high inflation.

The Company's business is located in the eastern United States. Therefore, the Company's business, financial condition and results of operations are susceptible to downturns in the general economy in this geographic region and other factors affecting the region such as state regulations and severe weather conditions. The Company is unable to forecast or determine the timing and/or the future impact of a sustained economic slowdown.

NEW ACCOUNTING PRONOUNCEMENTS

In July 2001, the FASB issued SFAS No. 141, Business Combinations and No. 142, Goodwill and Other Intangible Assets. These standards, among other things, significantly modify the current accounting rules related to accounting for business acquisitions, amortization of intangible assets and the method of accounting for impairments. SFAS No. 142 requires that any goodwill recorded in connection with an acquisition consummated on or after July 1, 2001 not be amortized. The Company has not completed an analysis as to the magnitude of the impact of these new pronouncements on the Company's financial statements. However, the Company believes that the impact, when ultimately determined, could have a significant adverse effect on the Company's carrying value of certain long-term assets (mainly goodwill). The Company will adopt SFAS No. 141 and SFAS No. 142 as of the beginning of its fiscal year 2003.

In July 2001, the FASB issued SFAS No.143, Accounting for Asset Retirement Obligations. SFAS No. 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes the cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, the entity either settles the obligation for the amount recorded or incurs a gain or loss. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. Management is evaluating the effect of this statement on the Company's results of operations and financial position.

In August 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long Lived Assets. SFAS No. 144 supercedes SFAS No. 121, Accounting for the Impairment of Long Lived Assets and for Long Lived Assets to be Disposed of. SFAS No. 144 addresses financial accounting and reporting for the impairment of long lived assets held for use and for long lived assets that are to be disposed of by sale (including discontinued operations). SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. Management is evaluating the effect of this statement on the Company's results of operations and financial position as well as related disclosures.

ADJUSTED EBITDA

Adjusted EBITDA represents operating income (earnings before interest and taxes, or "EBIT") plus depreciation and amortization expense less minority interest. Adjusted EBITDA is not a measure of financial performance under generally accepted accounting principles, but is provided because the Company understands that certain investors use this information when analyzing the financial position and performance of the Company.

	Three Months Ended January 31, (In Thousands)		Nine Months Ended January 31, (In Thousands)	
Adjusted EBITDA:	2001	2002	2001	2002
Operating Income	$ 10,788	$ 8,228	$ 38,979	$ 32,188
Depreciation and Amortization	13,043	12,825	40,316	38,390
Minority Interest	(287)	(29)	(949)	2
Adjusted EBITDA	$ 23,544	$ 21,024	$ 78,346	$ 70,580
EBITDA as a percentage of revenues	20.9%	20.8%	20.6%	21.8%

Noted below is Adjusted EBITDA as reported by each of the Company's key operating groups.

	Three Months Ended January 31, (In Thousands)		Nine Months Ended January 31, (In Thousands)	
Adjusted EBITDA by Group:	2001	2002	2001	2002
Solid Waste Operations	$ 20,102	$ 18,700	$ 65,364	$ 64,761
Recycling	2,733	1,854	10,715	4,874
Other	709	470	2,267	945
Adjusted EBITDA	$ 23,544	$ 21,024	$ 78,346	$ 70,580

Analysis of the factors contributing to the change in adjusted EBITDA is included in the discussions above.

INTEREST RATE VOLATILITY

The interest rate on $250 million of long-term debt has been fixed through six interest rate swaps. The Company has interest rate risk relating to approximately $37 million of long-term debt (not including current maturities) at January 31, 2002. The average interest rate on the variable rate portion of long-term debt was 4.48% for the third fiscal quarter. Should the average interest rate on the variable rate portion of long-term debt change by 100 basis points; it would have an approximate interest expense change of $0.1 million for the quarter reported.

The remainder of the Company's long-term debt is at fixed rates and not subject to interest rate risk.

COMMODITY PRICE VOLATILITY

The Company is subject to commodity price fluctuations related to the portion of its sales of recyclable commodities that are not under floor or flat pricing arrangements. To minimize the Company's commodity exposure, the Company had entered into ten commodity hedging agreements that had been authorized pursuant to the Company's policies and procedures. The Company does not use financial instruments for trading purposes and is not a party to any leveraged derivatives. If commodity prices were to change by 10%, the impact on the Company's operating margin is estimated at $1.8 million for the quarter reported.

On December 2, 2001, Enron, the counterparty for all of the Company's commodity hedges, filed for Chapter 11 bankruptcy protection. As a result of the filing, the Company executed the early termination provisions provided under the forward contracts, and filed a claim with the bankruptcy court. Additionally, the Company agreed with its equity method investee, Green Fiber, to include Green Fiber in its claim (as allowed under the applicable affiliate provisions) in exchange for entering into commodity contracts between Green Fiber and the Company on terms identical to those with Enron. The Company recorded a charge of $1.6 million in other expense to recognize the change in fair value of its commodity contracts. Subsequent changes in the fair value of these commodity contracts (currently $0.4 million) will be reflected in earnings until their March 2003 termination.

Deferred gains of approximately $1.0 million, net of tax, related to the Company's terminated contracts with Enron are included in accumulated other comprehensive income, and will be reclassified into earnings as the original hedged transactions settle.

CERTAIN FACTORS THAT MAY AFFECT FUTURE RESULTS

The following important factors, among others, could cause actual results to differ materially from those indicated by forward-looking statements made in this Form 10-Q and presented elsewhere by management from time to time.

OUR INCREASED LEVERAGE MAY IMPACT OUR ABILITY TO MAKE FUTURE ACQUISITIONS.

As a result of the acquisition of KTI and the increase in our credit facility, our indebtedness has increased substantially. This increased indebtedness has resulted in increased borrowing costs, which have adversely impacted our operating results. In addition, the aggregate amount of indebtedness has limited and may continue to limit the Company's ability to incur additional indebtedness, and thereby may limit the acquisition program.

WE MAY NOT BE SUCCESSFUL IN MAKING ACQUISITIONS, WHICH COULD LIMIT OUR FUTURE GROWTH.

Our strategy envisions that a substantial part of our future growth will come from making acquisitions. There can be no assurance that we will be able to identify suitable acquisition candidates and, once identified, to negotiate successfully their acquisition at a price or on terms and conditions favorable to us, or to integrate the operations of such acquired businesses with our operations. Any of these acquisitions may be of significant size and may include assets that are outside our geographic territories or businesses that are ancillary to our core business strategy. In addition, due to the increased consolidation of the solid waste industry and our current size, we cannot assure you that we will be able to make acquisitions in the future at a rate consistent with our historical growth rate.

WE ARE DEPENDENT ON THE MEMBERS OF OUR SENIOR MANAGEMENT TEAM.

We are highly dependent upon the services of the members of our senior management team, the loss of any of who may have a material adverse effect on our business, financial condition and results of operations. In addition, our future success depends on our continuing ability to identify, hire, train, motivate and retain highly trained personnel. We may be in default under our credit facility if both John Casella and James Bohlig cease to be employed by us.

OUR ABILITY TO MAKE ACQUISITIONS IS DEPENDENT ON THE AVAILABILITY OF ADEQUATE CASH AND THE ATTRACTIVENESS OF OUR STOCK PRICE.

We anticipate that any future business acquisitions will be financed through cash from operations, borrowings under our bank line of credit, the issuance of shares of our Class A common stock and/or seller financing. There can be no assurance that we will have sufficient existing capital resources, that our stock price will be sufficiently attractive for use in an acquisition or that we will be able to raise sufficient additional capital resources on terms satisfactory to us, if at all, in order to meet our capital requirements.

We also believe that a significant factor in our ability to close acquisitions will be the attractiveness of our Class A common stock as consideration for potential acquisition candidates. This attractiveness may, in large part, be dependent upon the relative market price and capital appreciation prospects of our Class A common stock compared to the equity securities of our competitors. The recent levels of the market price of our Class A common stock has affected and could in the future materially adversely affect our acquisition program.

ENVIRONMENTAL REGULATIONS COULD SUBJECT US TO FINES, PENALTIES AND LIMITATIONS ON OUR ABILITY TO EXPAND.

We are subject to potential liability and restrictions under environmental laws. Our waste-to-energy and manufacturing

facilities are subject to regulations limiting discharges of pollution into the air and water, and the solid waste operations are subject to a wide range of Federal, state and, in some cases, local environmental and land use restrictions. If we are not able to comply with the requirements that apply to a particular facility, we could be subject to fines and penalties, and we may be required to spend large amounts to bring an operation into compliance or to temporarily or permanently stop an operation that is not permitted under the law. Those costs or actions could have a material adverse effect upon our business, financial condition and results of operations.

Environmental and land use laws also can have an impact on whether our operations can expand and, in the case of our solid waste operations, may dictate those geographic areas from which we must, or, from which we may not, accept waste. The waste management industry has been and likely will continue to be subject to regulation, as well as to attempts to regulate the industry through new legislation. Those regulations and laws also may limit the overall size and daily waste volume that may be accepted by a solid waste operation. If we are not able to expand or otherwise operate one or more of our facilities profitably because of limits imposed under environmental laws, we may be required to increase our utilization of disposal facilities owned by third parties, and if so, our business, financial condition and results of operations could suffer a material adverse effect.

We have grown through acquisitions, and we have tried to evaluate and address environmental risks and liabilities presented by newly acquired businesses as we have identified them. It is possible that some liabilities, including ones that may exist only because of the past operations of an acquired business, may prove to be more difficult or costly to address than we anticipate. It is also possible that government officials responsible for enforcing environmental laws may believe an issue is more serious than we would expect, or that we will fail to identify or fully appreciate an existing liability before we become legally responsible to address it. Some of the legal sanctions to which we could become subject could cause us to lose a needed permit, or prevent us from or delay us in obtaining or renewing permits to operate our facilities. The number, size and nature of those liabilities could have a material adverse effect on our business, financial condition and results of operations.

Our operating program depends on our ability to operate and expand the landfills we own and lease and to develop new landfill sites. Several of our landfills are subject to local laws purporting to regulate their expansion and other aspects of their operations. There can be no assurance that the laws adopted by municipalities in which our landfills are located will not have a material adverse effect on our utilization of our landfills or that we will be successful in obtaining new landfill sites or expanding the permitted capacity of any of our current landfills once their remaining disposal capacity has been consumed.

OUR RESULTS OF OPERATIONS COULD BE ADVERSELY AFFECTED BY CHANGING PRICES OR MARKET REQUIREMENTS FOR RECYCLABLE MATERIALS.

Our results of operations may be materially adversely affected by changing purchase or resale prices or market requirements for recyclable materials. Our recycling business involves the purchase and sale of recyclable materials, some of which are priced on a commodity basis. The resale and purchase prices of, and market demand for, recyclable materials, particularly waste paper, plastic and ferrous and aluminum metals, can be volatile due to numerous factors beyond our control. These changes have in the past contributed, and may continue to contribute, to significant variability in our period-to-period results of operations.

Some of our subsidiaries involved in the recycling business use long-term supply contracts with customers with floor price arrangements to minimize the commodity risk for recyclable materials, particularly waste paper and aluminum metals. Under these contracts, our subsidiaries obtain a guaranteed minimum floor price for the recyclable materials along with a commitment to receive additional amounts if the current market price rises above the minimum price. These contracts are generally with large domestic companies, which use the recyclable materials in their manufacturing processes. Any failure to continue to secure long-term supply contracts with minimum price arrangements, or a breach by customers of one or more of these contracts could reduce our recycling revenues and have a material adverse effect on our business, financial condition and results of operations.

THE SEASONALITY OF OUR REVENUES COULD ADVERSELY IMPACT OUR FINANCIAL CONDITION.

The Company's transfer and disposal revenues have historically been lower during the months of November through March. This seasonality reflects the lower volume of waste during the late fall, winter and early spring months primarily because: (i) the volume of waste relating to construction and demolition activities decreases substantially during the winter months in the northeastern United States; and (ii) decreased tourism in Vermont, Maine and eastern New York during the winter months tends to lower the volume of waste generated by commercial and restaurant

customers, which is partially offset by the winter ski industry. Since certain of the Company's operating and fixed costs remain constant throughout the fiscal year, operating income is therefore impacted by a similar seasonality. In addition, particularly harsh weather conditions could result in increased operating costs to some of the Company's operations.

OUR BUSINESS IS GEOGRAPHICALLY CONCENTRATED AND IS THEREFORE SUBJECT TO REGIONAL ECONOMIC DOWNTURNS.

Our operations and customers are principally located in the eastern United States. Therefore, our business, financial condition and results of operations are susceptible to regional economic downturns and other regional factors, including state regulations and severe weather conditions. In addition, as we expand in our existing markets, opportunities for growth within these regions will become more limited. The costs and time involved in permitting and the scarcity of available landfills will make it difficult for us to expand vertically in these markets. We cannot assure you that we will complete enough acquisitions in other markets to lessen our regional geographic concentration.

MAINE ENERGY MAY BE REQUIRED TO MAKE A PAYMENT IN CONNECTION WITH THE PAYOFF OF THE MAINE ENERGY BONDS, WHICH EXCEEDS THE AMOUNT OF THE LIABILITY WE RECORDED IN CONNECTION WITH THE KTI AQUISITION.

Under the terms of a waste handling agreement among the Biddeford-Saco Waste Handling Committee, Biddeford, Saco and Maine Energy, Maine Energy may be required, following the date on which the bonds financing Maine Energy and certain limited partner loans to Maine Energy are paid in full, to pay an aggregate of 18% of the fair market value of the equity of the partners in Maine Energy to the respective municipalities party to that agreement. In connection with the acquisition of KTI, the Company estimated the fair market value of Maine Energy as of the date the bonds are assumed to be paid in full, and recorded a liability equal to 18% of such amount. We cannot assure you that our estimate of the fair market value of Maine Energy will prove to be accurate, and in the event we have underestimated the value of Maine Energy, we could be required to recognize unanticipated charges, in which case our financial condition, results of operations and liquidity could be materially adversely affected.

WE MAY NOT BE ABLE TO EFFECTIVELY COMPETE IN THE HIGHLY COMPETITIVE SOLID WASTE SERVICES INDUSTRY.

The solid waste services industry is highly competitive, is undergoing a period of increasingly rapid consolidation, and requires substantial labor and capital resources. Some of the markets in which we compete or will likely compete are served by one or more of the large national or multinational solid waste companies, as well as numerous regional and local solid waste companies. Intense competition exists not only to provide services to customers, but also to acquire other businesses within each market. Some of our competitors have significantly greater financial and other resources than us. From time to time, competitors may reduce the price of their services in an effort to expand market share or to win a competitively bid municipal contract. These practices may either require us to reduce the pricing of our services or result in our loss of business. As is generally the case in the industry, municipal contracts are subject to periodic competitive bidding. There can be no assurance that we will be the successful bidder to obtain or retain these contracts. If we are unable to compete with larger and better capitalized companies, or to replace municipal contracts lost through the competitive bidding process with comparable contracts or other revenue sources within a reasonable time period, our business, financial condition and results of operations could be materially adversely affected.

In our solid waste disposal markets, we also compete with operators of alternative disposal and recycling facilities and with counties, municipalities and solid waste districts that maintain their own waste collection, recycling and disposal operations. These entities may have financial advantages because user fees or similar charges, tax revenues and tax-exempt financing may be more available to them than to us.

Our Green Fiber insulation manufacturing joint venture with Louisiana-Pacific competes with other parties, some of which have substantially greater resources than we do, which they could use for product development, marketing or other purposes to our detriment.

OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION MAY BE NEGATIVELY AFFECTED IF WE INADEQUATELY ACCRUE FOR CLOSURE AND POST-CLOSURE COSTS.

We have material financial obligations relating to closure and post-closure costs of our existing landfills and will have material financial obligations with respect to any disposal facilities which we may own or operate in the future. In addition to the landfills we currently operate, we own four unlined landfills, which are not currently in operation. We have provided and will in the future provide accruals for financial obligations relating to closure and post-closure costs of our owned or operated landfills, generally for a term of 30 years after final closure of a landfill. We cannot assure you that our financial obligations for closure or post-closure costs will not exceed the amount accrued and reserved or amounts otherwise receivable pursuant to trust funds established for this purpose. Such a circumstance could result in unanticipated charges and have a material adverse effect on our financial condition and results of operations.

WE COULD BE PRECLUDED FROM ENTERING INTO CONTRACTS OR OBTAINING PERMITS IF WE ARE UNABLE TO OBTAIN THIRD PARTY FINANCIAL ASSURANCE TO SECURE OUR CONTRACTUAL OBLIGATIONS.

Municipal solid waste collection and recycling contracts, obligations associated with landfill closure and the operation and closure of waste-to-energy facilities may require performance or surety bonds, letters of credit or other means of financial assurance to secure our contractual performance. If we are unable to obtain the necessary financial assurance in sufficient amounts or at acceptable rates, we could be precluded from entering into additional municipal solid waste collection contracts or from obtaining or retaining landfill operating permits. Any future difficulty in obtaining insurance could also impair our ability to secure future contracts conditioned upon the contractor having adequate insurance coverage. Accordingly, our failure to obtain financial assurance bonds, letters of credit or other means of financial assurance or to maintain adequate insurance could have a material adverse effect on our business, financial condition and results of operations.

WE MAY BE REQUIRED TO WRITE-OFF CAPITALIZED CHARGES IN THE FUTURE, WHICH COULD ADVERSELY AFFECT OUR EARNINGS.

Any charge against earnings could have a material adverse effect on our earnings and the market price of our Class A common stock. In accordance with generally accepted accounting principles, we capitalize certain expenditures and advances relating to our acquisitions, pending acquisitions, landfills and development projects. From time to time in future periods, we may be required to incur a charge against earnings in an amount equal to any unamortized capitalized expenditures and advances, net of any portion thereof that we estimate will be recoverable, through sale or otherwise, relating to (a) any operation that is permanently shut down or has not generated or is not expected to generate sufficient cash flow, (b) any pending acquisition that is not consummated and

(c) any landfill or development project that is not expected to be successfully completed. We have incurred such charges in the past.

OUR CLASS B COMMON STOCK HAS TEN VOTES PER SHARE AND IS HELD EXCLUSIVELY BY JOHN W. CASELLA AND DOUGLAS R. CASELLA.

The holders of our Class B common stock are entitled to ten votes per share and the holders of our Class A common stock are entitled to one vote per share. At March 4, 2002, an aggregate of 988,200 shares of our Class B common stock, representing 9,882,000 votes, were outstanding, all of which were beneficially owned by John W. Casella, our chairman and chief executive officer, or by his brother, Douglas R. Casella, a director. Based on the number of shares of common stock outstanding on March 4, 2002, the shares of our Class A common stock and Class B common stock held by John W. Casella and Douglas R. Casella represent approximately 33.75% of the aggregate voting power of our stockholders. Consequently, John W. Casella and Douglas R. Casella will be able to substantially influence all matters for stockholder consideration.

Part II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

On January 7, 2000, the City of Saco, Maine filed a notice of claims with the Company and Maine Energy claiming entitlement to certain "residual cancellation" payments from Maine Energy under the waste handling agreement dated June 7, 1991 among the Biddeford-Saco Waste Handling Committee, Biddeford, Saco and Maine Energy on the basis of the alleged satisfaction of certain conditions, including the City's right to require the Company to purchase the City's right to receive future residual cancellation payments as a result of the Company's merger with KTI, Inc.. The notice of claims alleges that the payments due to Saco exceed $33 million, claims damages in such amounts for breach of contract, breach of fiduciary duties and fraud and also claims treble damages of $100 million based on alleged fraudulent transfer of Maine Energy's assets. The notice also reserves the right to seek punitive damages. On January 10, 2002, the City of Biddeford, Maine filed a lawsuit in York County Superior Court in Maine alleging breach of the waste handling agreement for (i) failure to pay the residual cancellation payments in connection with the KTI merger and (ii) processing amounts of waste above contractual limits without notice to the City. The Company believes it has meritorious defenses to these claims.

During the period of November 21, 1996 to October 9, 1997, the Company performed certain closure activities and installed a cut-off wall at the Clinton County Landfill, located in Clinton County, New York. On or about April 1999, the New York State Department of Labor alleged that the Company should have paid prevailing wages in connection with the labor associated with such activities. The Company has disputed the allegations and the State has scheduled a hearing for March 19, 2002 on the liability issue, the result of which will determine if a hearing on damages is warranted. The company continues to explore settlement possibilities with the State. The Company believes that it has meritorious defenses to these claims.

On or about June 18, 2001, the Company received a demand for damages from Daniel and Douglas Clark related to the merger agreement between the Company and Corning Community Disposal Service, Inc., alleging that the Company breached the agreement by failing to timely register the shares of stock for sale promptly upon receipt of written request. The Clarks allege, that but for the delay of the Company, they would have had an opportunity to sell their stock before the market value declined and that they suffered damages as a result of such delay. On January 4, 2002, the parties settled the matter, with the Company paying the Clarks the amount of $323,068 in return for full releases.

The Company is engaged in discussions with the Vermont Attorney General's Office relating to the terms of its commercial small container hauling contracts entered into with customers in Vermont and anticipates that, as a result of these discussions, it will make modifications to its commercial small container hauling contracts used within the State of Vermont. The Company does not believe that any required modifications will have a material adverse effect on its results of operations or financial condition. The Company is a defendant in certain other lawsuits alleging various claims incurred in the ordinary course of business, none of which, either individually or in the aggregate, the Company believes are material to its financial condition, results of operations or cash flows.

The Company offers no prediction of the outcome of any of the proceedings described above.

ITEM 2. CHANGES IN SECURITIES

None

ITEM 3. DEFAULTS ON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

None.

(b) Reports on Form 8-K:

None.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Casella Waste Systems, Inc.

Date: March 13, 2002

By: /s/ Richard A Norris

Richard A Norris
Senior Vice President and
Chief Financial Officer
(Principal Financial and Accounting
Officer and Duly Authorized Officer)